

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **Village of Beverly Hills Oakland County, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2007**

# Village of Beverly Hills, Michigan

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# Village of Beverly Hills, Michigan

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## Independent Auditor's Report

To the Village Council  
Village of Beverly Hills, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Beverly Hills as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Beverly Hills' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Beverly Hills as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedules of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Village Council  
Village of Beverly Hills, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Beverly Hills' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 5, 2007

# Village of Beverly Hills, Michigan

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## Management's Discussion and Analysis

Our discussion and analysis of the Village of Beverly Hills' (the "Village") financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Village's financial statements.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- **General Fund - Fund Balance** - The fund balance of the General Fund at June 30, 2007 was \$1,554,405 or about 23 percent of current General Fund expenditures. This number exceeds the Village Council recommendation of a minimum of a 20 percent fund balance.
- **State-shared Revenue** - The Village realized an additional 1.73 percent loss in total state revenue sharing. This loss reduces state revenue sharing back to pre-1993 levels. Only minor fluctuations are anticipated in the next fiscal year at this time. The statutory portion of revenue sharing will be at risk as the State attempts to balance its budget without the "single business tax" (SBT) revenue, which will end on December 31, 2007, two years earlier than 2009 when the repealed tax was slated to end. The State approved a "Michigan business tax" on July 12, 2007 to replace the SBT. The Village has approximately \$118,000 of statutory revenue sharing at risk in the General Fund budget for 2007/2008 if the State makes any additional reductions to the sales tax formula.
- **Retiree Health Care** - During the past 14 years, the Village has funded retiree health care. The Village has also required most full-time employees contribute 1.0 percent of their salary to fund the retiree health care program. As of June 30, 2007, the fund had a balance of \$1,401,374. The trust fund is recorded as a Fiduciary Fund within these statements.
- **Water Main Replacement Project** - In 2000, the Village conducted a study on the condition and age of its water mains. It was determined that the system required \$2.8 million in capital improvements in the short term. The Village has secured a \$3,690,000 Bond from the Drinking Water Revolving Fund (DWRF). As of June 2007, construction was completed.
- **Acacia Park Drain** - The next phase of the Acacia Park Drain Relief Sewer Construction Project (Kinross - Bates) is complete. Final restoration is continuing at this time. Funding was made available through the dedicated millage.
- **Municipal Parking Lot** - The construction and paving are completed.
- **2007 Asphalt Resurfacing Program** - The Village Council has awarded the 2007 resurfacing program contract. The work is expected to begin in early fall 2007.

# Village of Beverly Hills, Michigan

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## Management's Discussion and Analysis (Continued)

- **Rubbish Collection and Disposal** - Beginning in July 2007, the Village of Beverly Hills has a new contractor to collect and dispose of trash in the community. This new contract will improve the efficiency and reduce cost to residents.
- **Water Meter Replacement Program** - The Village Council has approved a contract for a Village-wide water meter replacement program. This program would improve the accuracy of readings and reduce the amount of time to read water meters. The replacement program is expected to begin in October 2007.
- **2007 Investment Report** - The Village investment income in the fiscal year was \$490,405 compared to \$364,246 last year. In addition, the Retiree Health Care Fund earned \$168,119.
- **Public Safety Department** - The Village has contracted for consulting services to review the Public Safety Department operation. The study should be completed in the fall of 2007.
- **Union Contracts** - The four contracts with union employees were not ratified as of June 30, 2007. Negotiations are continuing at this time. The Village has reserved estimated salary and wage increases for these employees. The reserve fund is \$126,517.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. The longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and tells whether the taxpayers have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell us how taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds. The fiduciary fund statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.



# Village of Beverly Hills, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior two years:

	2005	2006	2007	Change	Percent
<b>Assets</b>					
Capital assets	\$ 8,327,375	\$ 9,011,975	\$ 9,291,010	\$ 279,035	3.1%
Other assets	6,384,638	6,469,511	5,020,131	(1,449,380)	-22.4%
Total assets	14,712,013	15,481,486	14,311,141	(1,170,345)	-7.6%
<b>Liabilities</b>					
Long-term liabilities	392,690	297,430	230,075	(67,355)	-22.6%
Other liabilities	806,151	835,330	1,161,328	325,998	39.0%
Total liabilities	1,198,841	1,132,760	1,391,403	258,643	22.8%
<b>Net Assets</b>					
Invested in capital assets -					
Net of related debt	8,087,375	8,826,975	9,161,010	334,035	3.8%
Restricted	2,420,437	2,438,122	2,152,855	(285,267)	-11.7%
Unrestricted	3,005,360	3,083,629	1,605,873	(1,477,756)	-47.9%
Total net assets	<u>\$ 13,513,172</u>	<u>\$ 14,348,726</u>	<u>\$ 12,919,738</u>	<u>\$ (1,428,988)</u>	-10.0%
<b>Revenue</b>					
Program revenue:					
Charges for services	\$ 452,761	\$ 435,621	\$ 401,166	\$ (34,455)	-7.9%
Operating grants and contributions	767,226	792,416	767,854	(24,562)	-3.1%
Capital grants and contributions	546,098	59,402	400,635	341,233	574.4%
General revenue:					
Property taxes	6,021,799	6,198,372	6,320,663	122,291	2.0%
State-shared revenue	846,697	851,476	826,820	(24,656)	-2.9%
Unrestricted investment earnings	175,095	265,921	243,566	(22,355)	-8.4%
Miscellaneous	91,380	99,593	94,740	(4,853)	-4.9%
Total revenue	8,901,056	8,702,801	9,055,444	352,643	4.1%
<b>Program Expenses</b>					
General government	1,006,570	1,159,423	2,391,640	1,232,217	106.3%
Public safety	3,577,684	3,675,612	3,765,927	90,315	2.5%
Public works	1,917,046	1,619,115	1,875,510	256,395	15.8%
Community and economic development	104,907	77,588	73,880	(3,708)	-4.8%
Library	487,025	501,181	521,163	19,982	4.0%
Total program expenses	7,093,232	7,032,919	8,628,120	1,595,201	22.7%
<b>Excess of Revenue Over Expenses</b>	1,807,824	1,669,882	427,324	(1,242,558)	-74.4%
<b>Transfers</b>	(1,472,922)	(834,328)	(1,856,312)	(1,021,984)	122.5%
<b>Change in Net Assets</b>	<u>\$ 334,902</u>	<u>\$ 835,554</u>	<u>\$ (1,428,988)</u>	<u>\$ (2,264,542)</u>	-271.0%

# Village of Beverly Hills, Michigan

## Management's Discussion and Analysis (Continued)

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - decreased by \$1,477,756 for the governmental activities. This represents a decrease of 47.9 percent. The current level of unrestricted net assets for our governmental activities stands at \$1,605,873, or about 19 percent of program expenses for the fiscal year ended June 30, 2007. The decrease in net assets can mostly be attributed to the reclassification of the Retiree Health Care Fund from a governmental fund to a fiduciary fund.

The Village's total governmental revenues increased by \$352,643. This increase was due to inflationary increases in the taxable value of property within the Village as well as an increase in capital grants and contributions from the federal, county, and local governments during the year.

The reclassification of almost \$1.2 million in funds in trust for retiree health care from a governmental fund to a trust fund are included as a general government expense in the current year. Net of this reclassification, the total cost of governmental activities increased by \$406,604, or 5.8 percent during the year. The Village administration continues to look at other alternatives that will further reduce the future cost of health insurance for the Village. Unfortunately, changes cannot be implemented without ratified union contracts.

### Business-type Activities

The Village's business-type activities consist of the Water and Sewer Fund. Water and sewer services are provided to residents through contracts or consortiums with the Detroit Water and Sewage Department. The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior two years:

	2005	2006	2007	Change	Percent
<b>Assets</b>					
Capital assets	\$ 19,841,890	\$ 21,339,898	\$ 23,061,852	\$ 1,721,954	8.1%
Other assets	<u>5,123,820</u>	<u>4,111,295</u>	<u>4,309,024</u>	<u>197,729</u>	4.8%
Total assets	24,965,710	25,451,193	27,370,876	1,919,683	7.5%
<b>Liabilities</b>					
Long-term liabilities	8,526,900	7,943,029	7,337,097	(605,932)	-7.6%
Other liabilities	<u>1,106,749</u>	<u>874,796</u>	<u>1,013,357</u>	<u>138,561</u>	15.8%
Total liabilities	<u>9,633,649</u>	<u>8,817,825</u>	<u>8,350,454</u>	<u>(467,371)</u>	-5.3%
<b>Net Assets</b>					
Invested in capital assets -					
Net of related debt	12,445,905	13,235,691	15,178,570	1,942,879	14.7%
Unrestricted	<u>2,886,156</u>	<u>3,397,677</u>	<u>3,841,852</u>	<u>444,175</u>	13.1%
Total net assets	<u>\$ 15,332,061</u>	<u>\$ 16,633,368</u>	<u>\$ 19,020,422</u>	<u>\$ 2,387,054</u>	14.4%

# Village of Beverly Hills, Michigan

## Management's Discussion and Analysis (Continued)

	2005	2006	2007	Change	Percent
Charges for services	\$ 3,176,900	\$ 3,336,657	\$ 3,296,857	\$ (39,800)	-1.2%
Operating expenses other than depreciation	2,547,366	2,538,322	2,572,889	34,567	1.4%
Depreciation	346,940	346,940	346,940	-	0.0%
<b>Operating Income</b>	282,594	451,395	377,028	(74,367)	-16.5%
Property taxes	411,520	208,124	379,554	171,430	82.4%
Interest income	5,860	6,188	5,500	(688)	-11.1%
Interest expense	(139,411)	(198,728)	(231,340)	(32,612)	16.4%
<b>Income Before Transfers</b>	560,563	466,979	530,742	63,763	13.7%
<b>Transfers</b>	1,472,922	834,328	1,856,312	1,021,984	122.5%
<b>Change in Net Assets</b>	<b>\$ 2,033,485</b>	<b>\$ 1,301,307</b>	<b>\$ 2,387,054</b>	<b>\$ 1,085,747</b>	83.4%

Water units purchased by the Village from Detroit increased about 1.0 percent from the previous fiscal year. However, water units billed to customers of the Village decreased about 9 percent. As a result, the Village's water loss increased to about 13 percent. The operating income for the Water and Sewer Fund was \$377,028.

### The Village's Funds

The analysis of the Village's major funds begins on page 12 following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds - not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as special tax millages. The Village's major funds include the General Fund, Major Streets Fund, Local Streets Fund, Coryell/Hummel SAD, and the Capital Projects Infrastructure Fund.

The General Fund pays for most of the Village's governmental services. The public safety department represents the largest cost group, which incurred expenses of \$4,303,072 in fiscal year 2006-2007.

The Capital Projects Infrastructure Fund balance decreased in the current year due to funding for the next phase of the Acacia Drain Project (Kinross - Bates). The construction was completed ahead of schedule and therefore resulted in a deficit for the fund at June 30, 2007. The assets related to projects were then contributed to the Enterprise Fund.

### General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to take into account events during the year. Village departments overall stayed below budget, resulting in total expenditures of \$180,182 below the amended budget. This, coupled with increased revenue from interest income, allowed the General Fund's fund balance to decrease by only \$621 instead of decreasing by the \$165,363 that was appropriated in the amended budget.

# **Village of Beverly Hills, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

At June 30, 2007, the Village had \$32,352,862 invested in a broad range of capital assets, including buildings, furniture, equipment, roads and bridges, and water and sewer mains (see Note 5 for detail). During the current year, the Village added \$2,966,780 of additional capital assets. The most significant additions related to the Acacia Drain Project additions of \$1,885,028 were funded by a combination of property tax revenues and contributions from other local governments.

### **Economic Factors and Next Year's Budgets and Rates**

The Village's budget for next year will decrease by 1.58 percent from the amended budget for 2006/2007. Property taxes are expected to increase by 2.19 percent. In addition, the contribution from fund balance is expected to remain at \$0.

The Village experienced an increase of taxable value at a rate less than the CPI for the first time. This trend is likely to continue for several years due to the Michigan economy and the high foreclosure rate of homes in the region. This will further reduce future property tax increases.

The Village will transfer \$230,968 from the Major Road Fund to the Local Street Fund to assist in funding the Asphalt Resurfacing Program.

Water and sewer rates for fiscal year 2007/2008 will increase by 6.96 percent. Water and sewer rates increased 5 percent for the fiscal year ended June 30, 2007.

### **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

# Village of Beverly Hills, Michigan

## Statement of Net Assets June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 4,343,931	\$ 2,960,921	\$ 7,304,852
Receivables - Net (Note 4)	879,337	846,885	1,726,222
Internal balances	(415,000)	415,000	-
Inventories	-	7,361	7,361
Prepaid costs and other assets	111,433	-	111,433
Restricted assets (Note 8)	100,430	78,857	179,287
Nondepreciable capital assets (Note 5)	209,937	-	209,937
Depreciable capital assets - Net (Note 5)	<u>9,081,073</u>	<u>23,061,852</u>	<u>32,142,925</u>
Total assets	14,311,141	27,370,876	41,682,017
<b>Liabilities</b>			
Accounts payable	315,077	328,570	643,647
Accrued and other liabilities	267,566	59,745	327,311
Liabilities to be paid from restricted assets	100,430	-	100,430
Due to other governmental units	140,929	-	140,929
Noncurrent liabilities (Note 7):			
Due within one year	337,326	625,042	962,368
Due in more than one year	<u>230,075</u>	<u>7,337,097</u>	<u>7,567,172</u>
Total liabilities	<u>1,391,403</u>	<u>8,350,454</u>	<u>9,741,857</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	9,161,010	15,178,570	24,339,580
Restricted:			
Streets and highways	1,601,366	-	1,601,366
Capital projects	537,850	-	537,850
Drug forfeiture	13,639	-	13,639
Unrestricted	<u>1,605,873</u>	<u>3,841,852</u>	<u>5,447,725</u>
Total net assets	<u>\$ 12,919,738</u>	<u>\$ 19,020,422</u>	<u>\$ 31,940,160</u>

# Village of Beverly Hills, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,391,640	\$ 80,715	\$ 22,133	\$ 19,387
Public safety	3,765,927	132,513	14,408	-
Public works	1,875,510	184,145	731,313	381,248
Community and economic development	73,880	3,793	-	-
Library	521,163	-	-	-
Total governmental activities	8,628,120	401,166	767,854	400,635
Business-type activities - Water and sewer	3,151,169	3,296,857	-	-
Total primary government - Governmental activities	<u>\$ 11,779,289</u>	<u>\$ 3,698,023</u>	<u>\$ 767,854</u>	<u>\$ 400,635</u>

General revenues:  
 Property taxes and related fees  
 State-shared revenues  
 Unrestricted investment earnings  
 Miscellaneous  
 Transfers

Total general revenues and transfers

## Change in Net Assets

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Statement of Activities**  
**Year Ended June 30, 2007**

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (2,269,405)	\$ -	\$ (2,269,405)
(3,619,006)	-	(3,619,006)
(578,804)	-	(578,804)
(70,087)	-	(70,087)
<u>(521,163)</u>	<u>-</u>	<u>(521,163)</u>
(7,058,465)	-	(7,058,465)
<u>-</u>	<u>145,688</u>	<u>145,688</u>
(7,058,465)	145,688	(6,912,777)
6,320,663	379,554	6,700,217
826,820	-	826,820
243,566	5,500	249,066
94,740	-	94,740
<u>(1,856,312)</u>	<u>1,856,312</u>	<u>-</u>
<u>5,629,477</u>	<u>2,241,366</u>	<u>7,870,843</u>
(1,428,988)	2,387,054	958,066
<u>14,348,726</u>	<u>16,633,368</u>	<u>30,982,094</u>
<u><b>\$ 12,919,738</b></u>	<u><b>\$ 19,020,422</b></u>	<u><b>\$ 31,940,160</b></u>

# Village of Beverly Hills, Michigan

## Governmental Funds Balance Sheet June 30, 2007

	General Fund	Major Streets Fund	Local Streets Fund	Coryell/Hummel SAD	Capital Projects Infrastructure	Other Non-major Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 1,714,882	\$ 1,297,475	\$ 238,138	\$ 3,625	\$ 52,398	\$ 1,037,413	\$ 4,343,931
Receivables - Net	240,344	75,913	35,318	97,184	284,079	1,637	734,475
Prepaid costs and other assets	68,546	-	-	-	-	-	68,546
Restricted assets	-	-	-	-	100,430	-	100,430
Total assets	<u>\$ 2,023,772</u>	<u>\$ 1,373,388</u>	<u>\$ 273,456</u>	<u>\$ 100,809</u>	<u>\$ 436,907</u>	<u>\$ 1,039,050</u>	<u>\$ 5,247,382</u>
<b>Liabilities and Fund Balances (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable	\$ 101,558	\$ 6,751	\$ 37,696	\$ -	\$ 168,942	\$ 130	\$ 315,077
Accrued and other liabilities	152,996	-	1,031	-	-	-	154,027
Liabilities to be paid from restricted assets	-	-	-	-	100,430	-	100,430
Due to other governmental units	140,929	-	-	-	-	-	140,929
Due to other funds	-	-	-	15,000	400,000	-	415,000
Deferred revenue	-	-	-	93,631	-	-	93,631
Other liabilities	73,884	-	-	-	-	-	73,884
Total liabilities	469,367	6,751	38,727	108,631	669,372	130	1,292,978
<b>Fund Balances (Deficit)</b>							
Reserved for capital projects	-	-	-	-	-	537,850	537,850
Unreserved - Reported in:							
General Fund	1,554,405	-	-	-	-	-	1,554,405
Special Revenue Funds	-	1,366,637	234,729	-	-	501,070	2,102,436
Debt Service Funds	-	-	-	(7,822)	-	-	(7,822)
Capital Projects Funds	-	-	-	-	(232,465)	-	(232,465)
Total fund balances (deficit)	<u>1,554,405</u>	<u>1,366,637</u>	<u>234,729</u>	<u>(7,822)</u>	<u>(232,465)</u>	<u>1,038,920</u>	<u>3,954,404</u>
Total liabilities and fund balances (deficit)	<u>\$ 2,023,772</u>	<u>\$ 1,373,388</u>	<u>\$ 273,456</u>	<u>\$ 100,809</u>	<u>\$ 436,907</u>	<u>\$ 1,039,050</u>	<u>\$ 5,247,382</u>



# Village of Beverly Hills, Michigan

## **Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2007**

<b>Fund Balance - Total Governmental Funds</b>	<b>\$ 3,954,404</b>
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	9,291,010
---	-----------

The funds defer recognition of revenue on any amounts not collected within two months of the end of the year	93,631
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State-shared revenue receivable is not reported in the funds unless it is collected soon after the end of the year	144,862
---	---------

The funds do not report bond indebtedness as a liability until it comes due for payment	(130,000)
--	-----------

Employee compensated absences are not due and payable in the current period and are not reported in the funds	(437,401)
--	-----------

Employee pension liabilities are not due and payable in the current period and are not reported in the funds	(39,655)
---	----------

Amounts on deposit with the Insurance Authority (MMRMA) are not reported as fund assets	<u>42,887</u>
--	---------------

<b>Net Assets - Governmental Activities</b>	<b><u>\$ 12,919,738</u></b>
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# Village of Beverly Hills, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficits) Year Ended June 30, 2007

	General Fund	Major Streets Fund	Local Streets Fund	Coryell/ Hummel SAD	Capital Projects Infrastructure	Other Non- major Governmental Funds	Total Governmental Funds
<b>Revenue</b>							
Property taxes and related fees	\$ 5,054,943	\$ -	\$ 290,750	\$ -	\$ 974,970	\$ -	\$ 6,320,663
Licenses and permits	146,493	-	-	-	-	-	146,493
Federal grants	25,926	-	-	-	-	-	25,926
State-shared revenues and grants	865,540	424,006	207,186	-	-	-	1,496,732
Special assessment	-	-	-	24,685	-	11,065	35,750
Contributions	-	-	-	-	404,597	-	404,597
Charges for services	275,193	-	-	-	-	43,869	319,062
Fines and forfeitures	87,540	-	-	-	-	8,214	95,754
Interest and rentals	160,259	64,704	14,647	-	38,769	54,931	333,310
Other	191,386	8,209	-	-	-	18,062	217,657
<b>Total revenue</b>	<b>6,807,280</b>	<b>496,919</b>	<b>512,583</b>	<b>24,685</b>	<b>1,418,336</b>	<b>136,141</b>	<b>9,395,944</b>
<b>Expenditures</b>							
Current:							
General government	807,974	-	-	-	-	1,215,350	2,023,324
Public safety	4,303,072	-	-	-	-	5,303	4,308,375
Public works	909,486	196,187	909,966	1,901	-	-	2,017,540
Library	521,163	-	-	-	-	-	521,163
Capital outlay	217,961	-	-	-	1,865,312	77,462	2,160,735
Debt service	-	-	-	55,000	-	-	55,000
<b>Total expenditures</b>	<b>6,759,656</b>	<b>196,187</b>	<b>909,966</b>	<b>56,901</b>	<b>1,865,312</b>	<b>1,298,115</b>	<b>11,086,137</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>47,624</b>	<b>300,732</b>	<b>(397,383)</b>	<b>(32,216)</b>	<b>(446,976)</b>	<b>(1,161,974)</b>	<b>(1,690,193)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	150,000	-	-	57,245	207,245
Transfers out	(48,245)	(150,000)	-	-	-	-	(198,245)
<b>Total other financing sources (uses)</b>	<b>(48,245)</b>	<b>(150,000)</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>57,245</b>	<b>9,000</b>
<b>Net Change in Fund Balances</b>	<b>(621)</b>	<b>150,732</b>	<b>(247,383)</b>	<b>(32,216)</b>	<b>(446,976)</b>	<b>(1,104,729)</b>	<b>(1,681,193)</b>
<b>Fund Balances - Beginning of year</b>	<b>1,555,026</b>	<b>1,215,905</b>	<b>482,112</b>	<b>24,394</b>	<b>214,511</b>	<b>2,143,649</b>	<b>5,635,597</b>
<b>Fund Balances (Deficits) - End of year</b>	<b>\$ 1,554,405</b>	<b>\$ 1,366,637</b>	<b>\$ 234,729</b>	<b>\$ (7,822)</b>	<b>\$ (232,465)</b>	<b>\$ 1,038,920</b>	<b>\$ 3,954,404</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Village of Beverly Hills, Michigan

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## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (1,681,193)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	823,163
Governmental funds do not report loss on the sale of fixed assets	(1,745)
Governmental funds do not report depreciation expense	(542,386)
The funds report revenue as it is collected or available, but the statement of activities reported it in prior years when earned	(13,669)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	(59,099)
Principal payments on bonds are recorded as expenditures in the fund-based statements	55,000
Increase in accumulated employee sick and vacation pay, employee pension liability, as well as estimated general liability claims, are recorded when earned in the statement of activities	<u>(9,059)</u>

**Change in Net Assets of Governmental Activities** **\$ (1,428,988)**

# Village of Beverly Hills, Michigan

## Enterprise Fund - Water and Sewer Statement of Net Assets June 30, 2007

### Assets

#### Current assets:

Cash and cash equivalents	\$ 2,960,921
Restricted assets	78,857
Receivables - Net	846,885
Due from other funds	415,000
Inventories	<u>7,361</u>

Total current assets 4,309,024

Noncurrent assets - Depreciable capital assets - Net 23,061,852

Total assets 27,370,876

### Liabilities

#### Current liabilities:

Accounts payable	328,570
Accrued and other liabilities	59,745
Current portion of long-term debt	<u>625,042</u>

Total current liabilities 1,013,357

Noncurrent liabilities - Long-term debt - Net of current portion 7,337,097

Total liabilities 8,350,454

### Net Assets

Investment in capital assets - Net of related debt	15,178,570
Unrestricted	<u>3,841,852</u>

Total net assets \$ 19,020,422

# Village of Beverly Hills, Michigan

## Enterprise Fund - Water and Sewer Statement of Revenue, Expenditures, and Changes in Net Assets Year Ended June 30, 2007

### Operating Revenue

Sale of water	\$ 1,226,594
Sewage disposal charges	1,754,984
Interest and penalty charges	209,126
Meter charge	100,566
Rental income and other	<u>5,587</u>

Total operating revenue 3,296,857

### Operating Expenses

Cost of water produced/purchased	647,705
Cost of sewage treatment	970,021
Administration charge	214,000
Repairs and maintenance	497,494
Depreciation	503,390
Other expenses	<u>87,219</u>

Total operating expenses 2,919,829

**Operating Income** 377,028

### Nonoperating Revenue (Expense)

Investment income	5,500
Property taxes	379,554
Interest expense	<u>(231,340)</u>

Total nonoperating revenue 153,714

**Net Income** - Before transfers and contributions 530,742

**Transfers to Other Funds** (9,000)

**Capital Contributions** - Assets constructed by Capital Projects Infrastructure Fund 1,865,312

**Increase in Net Assets** 2,387,054

**Net Assets** - Beginning of year 16,633,368

**Net Assets** - End of year \$ 19,020,422

# Village of Beverly Hills, Michigan

## Enterprise Funds - Water and Sewer Statement of Cash Flows Year Ended June 30, 2007

### Cash Flows from Operating Activities

Receipts from customers	\$ 3,249,433
Payments to suppliers	(2,058,422)
Internal activity - Payments to other funds	(629,000)
Other payments	<u>(15,263)</u>

Net cash provided by operating activities 546,748

### Cash Flows from Capital and Related Financing Activities

Purchase of capital assets - Net of drawdowns on previously issued related debt	(8,363)
Proceeds from property tax levy	379,554
Principal and interest paid on capital debt	<u>(803,932)</u>

Net cash used in capital and related financing activities (432,741)

Cash Flows from Noncapital Financing Activities - Transfers out (9,000)

Cash Flows from Investing Activities - Interest received on investments 5,500

Net Increase in Cash and Cash Equivalents 110,507

Cash and Cash Equivalents - Beginning of year 2,850,414

Cash and Cash Equivalents - End of year \$ 2,960,921

### Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 377,028
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	503,390
Changes in assets and liabilities:	
Receivables	(26,323)
Due from other funds	(415,000)
Other assets	2,434
Accounts payable	56,798
Accrued and other liabilities	<u>48,421</u>

Net cash provided by operating activities \$ 546,748

**Noncash Capital and Related Financing Activities** - During the current year, \$1,865,312 of sewer line additions were funded by a Capital Projects Fund. The sewer line additions were recorded as a fixed asset addition within the Enterprise Fund.

# Village of Beverly Hills, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2007

	Fiduciary Funds			
	Pension and Other Employee Benefits	Retiree Health Care	Total Fiduciary Funds	Agency Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 46,242	\$ 127,806	\$ 174,048	\$ 12,887
Investments in mutual funds	13,867,464	1,274,573	15,142,037	-
Common and preferred stock	3,391,519	-	3,391,519	-
Accrued interest receivable	<u>14,564</u>	<u>634</u>	<u>15,198</u>	<u>70</u>
Total assets	17,319,789	1,403,013	18,722,802	<u><b>\$ 12,957</b></u>
<b>Liabilities</b> - Accrued and other liabilities	<u>2,308</u>	<u>1,639</u>	<u>3,947</u>	<u><b>\$ 12,957</b></u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u><b>\$ 17,317,481</b></u>	<u><b>\$ 1,401,374</b></u>	<u><b>\$ 18,718,855</b></u>	

# Village of Beverly Hills, Michigan

## Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2007

	Fiduciary Funds		
	Pension and Other Employee Benefits	Retiree Health Care	Total
<b>Additions</b> - Investment income			
Interest and dividends	\$ 399,270	\$ 168,119	\$ 567,389
Employer contributions	257,144	1,188,597	1,445,741
Charges to other funds	-	480,965	480,965
Net increase in fair value of investments	<u>2,119,419</u>	<u>-</u>	<u>2,119,419</u>
Total additions	2,775,833	1,837,681	4,613,514
<b>Deductions</b>			
Benefit payments	702,857	-	702,857
Health care	-	436,307	436,307
Administrative expenses	<u>93,062</u>	<u>-</u>	<u>93,062</u>
Total deductions	<u>795,919</u>	<u>436,307</u>	<u>1,232,226</u>
<b>Net Increase</b>	1,979,914	1,401,374	3,381,288
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>			
Beginning of year	<u>15,337,567</u>	<u>-</u>	<u>15,337,567</u>
End of year	<u><b>\$ 17,317,481</b></u>	<u><b>\$ 1,401,374</b></u>	<u><b>\$ 18,718,855</b></u>



# Village of Beverly Hills, Michigan

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## Notes to Financial Statements June 30, 2007

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Village of Beverly Hills, Michigan (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Beverly Hills:

#### **Reporting Entity**

The Village of Beverly Hills is governed by an elected seven-member council. There are no component units for which the Village is considered to be financially accountable.

#### **Jointly Governed Organizations**

Jointly governed organizations are discussed in Note 12.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the Enterprise Fund are reported as separate columns in the fund financial statements.

# Village of Beverly Hills, Michigan

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## Notes to Financial Statements June 30, 2007

### Note I - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within two months of the end of the current fiscal period (through August 31). The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, District Court fines, and interest associated with the current fiscal period. Conversely, federal grant reimbursements and special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village reports the following major governmental funds:

- The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.
- The Local Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.
- The Capital Projects - Coryell/Hummel Special Assessment District Fund accounts for the special assessment taxes collected for specific construction projects.
- The Capital Projects - Infrastructure Millage Fund accounts for the resources of property taxes collected for construction of the Acacia Interceptor.

# Village of Beverly Hills, Michigan

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## Notes to Financial Statements June 30, 2007

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The Village reports one major proprietary fund. The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the Village reports the following fund types:

- The Pension and Other Employee Benefits Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.
- The Retiree Health Care Fund accounts for accumulated resources which have been set aside in a VEBA trust to fund postretirement healthcare costs.
- The Agency Fund accounts for assets held on behalf of third parties.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

# Village of Beverly Hills, Michigan

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## Notes to Financial Statements June 30, 2007

### Note I - Summary of Significant Accounting Policies (Continued)

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Restricted assets in the Enterprise Fund pertain to the Drinking Water Revolving Fund proceeds not yet drawn down.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements other than buildings	50 years
Furniture and equipment	5-10 years
Vehicles	5 years
Infrastructure (excludes water mains and sewers)	10-50 years
Water mains and sewers	50 years
Meters	20 years

# Village of Beverly Hills, Michigan

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## Notes to Financial Statements June 30, 2007

### Note I - Summary of Significant Accounting Policies (Continued)

**Compensated Absences (Vacation and Sick Leave)** - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Property Taxes** - The Village's property tax is levied on each July 1 on the taxable valuation of the property (as defined by state statutes) located in the Village as of the preceding December 31. Taxes are considered delinquent on September 14, at which time penalties and interest are assessed.

# Village of Beverly Hills, Michigan

## Notes to Financial Statements June 30, 2007

### Note I - Summary of Significant Accounting Policies (Continued)

The Village's ad valorem tax is levied on July 1, 2006 and recognized as revenue for the June 30, 2007 budget year. The Village's property taxes were levied in the following manner:

2006 taxable valuation		<u>\$ 567,494,910</u>
		Revenues
	Mills Levied	Generated
Operating	8.8706	\$ 5,034,020
Operating - Local Street Fund	0.5095	289,139
Debt service	0.6689	379,597
Dedicated (infrastructure)	<u>1.7181</u>	<u>975,013</u>
Total	<u>11.7671</u>	<u>\$ 6,677,769</u>

These amounts are recognized in the respective General, Local Streets, Capital Projects, and Enterprise Funds financial statements as taxes receivable or tax revenue. Governmental funds recognize tax revenue in the year it is budgeted, to the extent it is collected within 60 days. Personal property taxes that are still unpaid as of June 30, 2007 will be recognized as revenue in the future as they are collected.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# **Village of Beverly Hills, Michigan**

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## **Notes to Financial Statements June 30, 2007**

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - The annual budget is prepared by the Village management and adopted by the Village Council; subsequent amendments are approved by the Village Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget process begins in January when each department head calculates their appropriation request. This is due by the first Monday in March. The budget is submitted to the Village Council at the first meeting in April. During the next month, the Village Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by resolution no later than the second Monday in May.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers have been included in the revenue and expenditures categories, rather than as "other financing sources." The budget document presents information by fund, function, department, and line items. The level of budgetary control adopted by the Village Council is at the department level. If any department exceeds budget appropriations, the Village Council may, by resolution, amend the department's appropriation. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

# Village of Beverly Hills, Michigan

## Notes to Financial Statements June 30, 2007

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**Construction Code Fees** - The Village oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Village charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2006		\$ (299,233)
Current year building permit revenue		149,083
Related expenses:		
Direct costs	\$ 258,775	
Estimated indirect costs	<u>8,760</u>	
Less total construction code expenses		<u>(267,535)</u>
Cumulative shortfall at June 30, 2007		<u>\$ (417,685)</u>

**Fund Deficits** - The Village has a deficit in the Coryell/Hummel SAD Fund and the Capital Projects Infrastructure Fund at June 30, 2007. The deficit in the Capital Projects Infrastructure Fund is due to the timing of expenditures that were incurred on the project prior to the Village collecting the accompanying tax revenue. The deficit in the Coryell/Hummel SAD Fund is due to expenditures that were incurred in excess of revenue collected for the year.

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.



# **Village of Beverly Hills, Michigan**

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## **Notes to Financial Statements June 30, 2007**

### **Note 3 - Deposits and Investments (Continued)**

The Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Village has designated nine banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Village's deposits and investment policies are in accordance with statutory authority.

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village's investment policy restricts bank deposits to Michigan-based banks (in accordance with state law); there are no further restrictions on custodianship of bank deposits. At year end, the Village had approximately \$3,136,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village's investment policy restricts the maturity of commercial paper, which can only be purchased with a 270-day maturity. At year end, the Village had approximately \$4,330,000 invested in fixed income mutual funds with a weighted average maturity of 4.75 years (held by its pension system).

# Village of Beverly Hills, Michigan

## Notes to Financial Statements June 30, 2007

### Note 3 - Deposits and Investments (Continued)

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village's investment policy does not further limit its investment choices. As of year end, the Village had approximately \$7,571,000 invested in mutual funds that were unrated, \$1,275,000 in mutual funds with a three-star rating from Morningstar, and \$48,000 in mutual funds with an Aaa rating from Standard & Poor's.

### Note 4 - Receivables

Receivables as of year end for the Village's individual major funds and nonmajor funds are as follows:

	General Fund	Major Streets Fund	Local Streets Fund	Special Assessment District	Dedicated Millage	Nonmajor and Other Funds	Total Governmental	Business - type Activities
Receivables:								
Taxes	\$ 45,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,301	\$ -
Special assessment	-	-	-	97,168	-	-	97,168	-
Intergovernmental	146,072	70,887	34,020	-	284,051	-	535,030	-
Customer billings	-	-	-	-	-	-	-	659,546
Interest and other	193,833	5,026	1,298	16	28	1,637	201,838	187,339
Total receivables	<u>\$ 385,206</u>	<u>\$ 75,913</u>	<u>\$ 35,318</u>	<u>\$ 97,184</u>	<u>\$ 284,079</u>	<u>\$ 1,637</u>	<u>\$ 879,337</u>	<u>\$ 846,885</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue in the amount of \$93,631 relates to unavailable deferred revenue for special assessments. There was no unearned deferred revenue as of June 30, 2007.

# Village of Beverly Hills, Michigan

## Notes to Financial Statements June 30, 2007

### Note 5 - Capital Assets

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 209,937	\$ -	\$ -	\$ 209,937
Construction in progress	81,727	-	(81,727)	-
Net capital assets not being depreciated	291,664	-	(81,727)	209,937
Capital assets being depreciated:				
Buildings	2,256,698	-	-	2,256,698
Improvements other than buildings	1,084,403	177,669	81,727	1,343,799
Infrastructure (excludes water mains and sewers)	8,773,837	546,761	-	9,320,598
Furniture and equipment	1,929,570	98,733	(76,771)	1,951,532
Subtotal	14,044,508	823,163	4,956	14,872,627
Accumulated depreciation:				
Buildings	915,235	46,203	-	961,438
Improvements other than buildings	251,362	72,795	-	324,157
Infrastructure (excludes water mains and sewers)	2,717,093	300,675	-	3,017,768
Furniture and equipment	1,440,507	122,713	(75,029)	1,488,191
Subtotal	5,324,197	542,386	(75,029)	5,791,554
Net capital assets being depreciated	8,720,311	280,777	79,985	9,081,073
Net capital assets	\$ 9,011,975	\$ 280,777	\$ (1,742)	\$ 9,291,010
<b>Business-type Activities</b>				
Capital assets being depreciated:				
Water mains	\$ 6,311,184	\$ 328,232	\$ -	\$ 6,639,416
Sanitary sewers and drains	18,712,617	1,885,028	-	20,597,645
Meters	538,071	12,084	-	550,155
Service buildings	42,163	-	-	42,163
Motor vehicles	83,552	-	-	83,552
Furniture and equipment	139,104	-	-	139,104
Subtotal	25,826,691	2,225,344	-	28,052,035
Accumulated depreciation:				
Water mains	592,286	66,394	-	658,680
Sanitary sewers	3,225,564	419,646	-	3,645,210
Meters	407,027	14,447	-	421,474
Service buildings	42,163	-	-	42,163
Motor vehicles	80,649	2,903	-	83,552
Furniture and equipment	139,104	-	-	139,104
Subtotal	4,486,793	503,390	-	4,990,183
Net capital assets being depreciated	21,339,898	1,721,954	-	23,061,852
Net capital assets	\$ 21,339,898	\$ 1,721,954	\$ -	\$ 23,061,852

# Village of Beverly Hills, Michigan

## Notes to Financial Statements June 30, 2007

### Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 34,135
Public safety	137,480
Public works	361,501
Community and economic development	<u>9,270</u>

Total governmental activities	<u>\$ 542,386</u>
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Business-type activities - Water and Sewer Fund	\$ 503,390
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**Construction Commitments** - The Village has one significant active construction project at year end for the Acacia Park Drain Relief Sewer. At year end, the Village's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Acacia Park Drain Relief Sewer	\$ 1,035,760	\$ 1,401,091

### Note 6 - Interfund Receivables, Payables, and Transfers

The following is a summary of interfund receivables and payables at June 30, 2007:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	Dedicated Millage Fund	\$ 400,000
	Sidewalk Replacement Fund	<u>15,000</u>
	Total	<u>\$ 415,000</u>

The interfund balance between the Water and Sewer Fund and the Dedicated Millage and Sidewalk Replacement Funds relate to amounts borrowed by the Dedicated Millage and Sidewalk Replacement Funds to cover construction costs for water and sewer infrastructure incurred prior to receiving the related tax revenue. The balances will be repaid from proceeds collected from the July 1, 2007 tax levy.

# Village of Beverly Hills, Michigan

## Notes to Financial Statements June 30, 2007

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Transferred from</u>	<u>Fund Transferred to</u>	<u>Amount</u>
General Fund	Capital Projects Fund (a nonmajor governmental fund)	\$ 48,245
Water and Sewer Fund	Capital Projects Fund (a nonmajor governmental fund)	9,000
Major Streets Fund	Local Streets Fund	<u>150,000</u>
	Total	<u>\$ 207,245</u>

The transfers from the General Fund to the Capital Projects Fund were used for infrastructure and other capital improvements. Transfers from the Water and Sewer Fund to the Capital Projects Fund were used to reimburse the Capital Projects Fund for improvements related to business-type assets. The transfer from the Major Streets Fund to the Local Streets Fund was used to subsidize Local Streets Fund operations.

### Note 7 - Long-term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Village is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

The Village's special assessment limited tax bonds issued in February 2003 call for any prepayments of special assessments to be accumulated and applied each October to pay down the bond principal. This mechanism is intended to save the Village interest expense on these bonds, which is at a higher rate than the Village is likely to earn on the investment of these prepayments.

# Village of Beverly Hills, Michigan

## Notes to Financial Statements June 30, 2007

### Note 7 - Long-term Debt (Continued)

	Beginning Balance July 1, 2006	Additions (Reductions)	Ending Balance June 30, 2007	Due Within One Year
Governmental activities:				
2003 Special Assessment Limited Tax Bonds maturing through October 2012 with interest at 5%	\$ 185,000	\$ (55,000)	\$ 130,000	\$ 55,000
Accumulated employee compensation	<u>420,285</u>	<u>17,116</u>	<u>437,401</u>	<u>282,326</u>
Total governmental activities	<u>\$ 617,597</u>	<u>\$ (37,884)</u>	<u>\$ 567,401</u>	<u>\$ 337,326</u>
Business-type activities:				
1990 Evergreen/Farmington Sewage System Bonds, maturing through October 2009 with interest at 7%	\$ 310,148	\$ (66,936)	\$ 243,212	\$ 79,552
1991 Evergreen/Farmington Permanent Meter and Interceptor Rehab Bonds, maturing through April 2010 with interest at 2.628%	33,501	(7,621)	25,880	8,804
1997 John Garfield Drain Bonds, maturing through November 2017 with interest ranging from 3.87% to 4.97%	72,422	(4,461)	67,961	4,723
1998 North Arm Relief Drain Contract with City of Royal Oak (to support the Village's portion of Royal Oak bonds), maturing through September 2020 with interest at 2.25%	286,716	(16,271)	270,445	16,667
2000 George W. Kuhn Drain Bond Series A, maturing through April 2022 with interest at 2.5%	121,629	(6,295)	115,334	6,416
2000 George W. Kuhn Drain Bond Series B, maturing through April 2022 with interest ranging from 4.75% to 5.375%	45,345	(41,080)	4,265	2,031
2001 George W. Kuhn Drain Bond Series C, maturing through April 2024 with interest at 2.5%	614,684	(27,453)	587,231	28,143
2001 George W. Kuhn Drain Bond Series D, maturing through April 2024 with interest at 2.5%	24,732	(1,096)	23,636	1,137
2001 George W. Kuhn Drain Bond Series E, maturing through April 2024 with interest ranging from 4% to 5.25%	74,480	(58,438)	16,042	3,046
1994 CSO Drain Bonds - Series 1994A, maturing through October 2015 with interest at 2%	573,392	(54,528)	518,864	54,528
1999 CSO Drain Bonds - Series 1999, maturing through October 2015 with interest ranging from 3.5% to 4.6%	323,760	(34,080)	289,680	34,080
2003 Rummel Relief Drainage District Drain Bonds - Series 2003, maturing through May 2023 with interest ranging from 2.6% to 4.7%	290,275	(13,423)	276,852	15,101

# Village of Beverly Hills, Michigan

## Notes to Financial Statements June 30, 2007

### Note 7 - Long-term Debt (Continued)

	Beginning Balance July 1, 2006	Additions (Reductions)	Ending Balance June 30, 2007	Due Within One Year
Business-type activities (Continued):				
2003 CSO Drain Refunding Bonds - Series 2003, maturing through October 2014 with interest ranging from 1% to 3%	\$ 2,344,703	\$ (214,704)	\$ 2,129,999	\$ 228,336
2003 Drinking Water Revolving Fund Loan, maturing through April 2025 with interest at 2.125%	3,540,000	(155,000)	3,385,000	155,000
2005 George W. Kuhn Drain Bond Series 2005, maturing through April 2026 with interest at 1.625%	-	12,589	12,589	569
2007 George W. Kuhn Drain Bond Series 2007, maturing through April 2024 refunding 2000B and 2001E (August 2007) with interest ranging from 4.25% to 4.375%	-	101,205	101,205	1,909
Subtotal business-type activities	8,655,787	(587,592)	8,068,195	640,042
Less deferred charge on refunding of bonds*	(121,056)	15,000	(106,056)	(15,000)
Total business-type activities	<u>\$ 8,534,731</u>	<u>\$ (572,592)</u>	<u>\$ 7,962,139</u>	<u>\$ 625,042</u>

\* During 2001, Oakland County refinanced the 1990 Evergreen/Farmington bond issue. In addition, during 2004, Oakland County refinanced the 1994B and 1995C CSO Drain Bond issues. With the refinancing of both these issues, Oakland County included bond issuance costs in the new principal amount. The Village of Beverly Hills has an agreement with Oakland County to pay a portion of these bonds. The deferred charge referred to above represents the Village's portion of these costs, net of amortized expenses of \$15,336 and \$48,848, respectively, at June 30, 2007.

Annual debt service requirements to maturity for the above obligations (excluding employee benefits and deferred charges on refunding of bonds) are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 55,000	\$ 5,125	\$ 60,125	\$ 640,042	\$ 122,273	\$ 762,315
2009	50,000	2,500	52,500	652,600	175,608	828,208
2010	25,000	625	25,625	683,015	158,323	841,338
2011	-	-	-	609,958	142,196	752,154
2012	-	-	-	649,105	126,607	775,712
2013-2017	-	-	-	2,572,364	417,941	2,990,305
2018-2022	-	-	-	1,480,873	181,130	1,662,003
2023-2026	-	-	-	780,238	77,414	857,652
Total	<u>\$ 130,000</u>	<u>\$ 8,250</u>	<u>\$ 138,250</u>	<u>\$ 8,068,195</u>	<u>\$ 1,401,492</u>	<u>\$ 9,469,687</u>

# Village of Beverly Hills, Michigan

## Notes to Financial Statements June 30, 2007

### Note 8 - Restricted Assets

Restricted assets at June 30, 2007 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Construction retainage and related interest	\$ 100,430	\$ -	\$ 100,430
Drinking Water Revolving Fund proceeds	-	78,857	78,857
Total	<u>\$ 100,430</u>	<u>\$ 78,857</u>	<u>\$ 179,287</u>

The amount related to Drinking Water Revolving Fund proceeds relates to amounts not yet drawn down. Since the restricted assets result from the issuance of debt, retained earnings have not been reserved.

### Note 9 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Workers' Compensation for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority for general liability claims.

The Michigan Municipal Risk Management Authority (the "Authority") operates as a claims-servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Village. The Authority assists the Village in estimating claims for additional liabilities that may be paid beyond the balance sheet date. It is estimated that any such claims are insignificant for each of the last two years. Therefore, no liability has been recorded.



# Village of Beverly Hills, Michigan

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## Notes to Financial Statements June 30, 2007

### **Note 9 - Risk Management (Continued)**

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

### **Note 10 - Other Postemployment Benefits**

The Village provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, there are 28 retirees and one beneficiary receiving benefits. All activity related to the funding of these benefits is recorded in the Retiree Health Care Fund. Expenses are accrued based on the actuary valuation. Current year expenditures were approximately \$465,000.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

#### **Public Safety Officers’ Retirement System**

**Plan Description** - The Village of Beverly Hills Public Safety Officers’ Retirement System (the “Plan”) is a single-employer defined benefit pension plan that is administered by a board of trustees consisting of the Village president, a Village council member, a citizen, and two public safety officers. The Plan covers all full-time public safety employees of the Village. The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries. At December 31, 2006, the date of the most recent actuarial valuation, membership consisted of 24 retirees and beneficiaries currently receiving benefits, terminated employees entitled to benefits but not yet receiving them, and 23 current active employees. The Plan does not issue a separate financial report.

# Village of Beverly Hills, Michigan

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## Notes to Financial Statements June 30, 2007

### Note 11 - Pension Plans

**Contributions** - As of July 1, 1976, the Plan was amended to make it a noncontributory plan by eliminating required employee contributions. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The obligation to contribute to and maintain the Plan for these employees was established by negotiation with the Village's competitive bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the Plan are financed through investment earnings.

**Annual Pension Cost** - For the year ended June 30, 2007, the Village's annual pension cost of \$251,964 for the Plan consisted of an actuarially required contribution of \$257,144 plus interest on the prior year's net pension obligation of \$3,189 less an adjustment to the actuarially required contribution (as a result of the underfunding) of \$8,319. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005. Significant actuarial assumptions used include (a) a 7 percent investment rate of return, (b) projected salary increases of 4 percent to 8 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 10 years.

# Village of Beverly Hills, Michigan

## Notes to Financial Statements June 30, 2007

### Note 11 - Pension Plans (Continued)

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2005	2006	2007
Annual pension costs (APC)	\$ 84,908	\$ 198,851	\$ 251,964
Percentage of APC contributed	105%	102%	102%
Net pension obligation	\$ 49,678	\$ 44,836	\$ 39,655

	Actuarial Valuation as of December 31		
	2005	2006	2007
Actuarial value of assets	\$ 14,121,531	\$ 14,347,504	\$ 14,926,083
Actuarial accrued liability (AAL) (entry age)	\$ 12,893,782	\$ 13,538,767	\$ 14,055,037
Unfunded AAL (UAAL)	\$ (1,227,749)	\$ (808,737)	\$ (871,046)
Funded ratio	110%	106%	106%
Covered payroll	\$ 1,708,616	\$ 1,721,163	\$ 1,686,745
UAAL as a percentage of covered payroll	- %	- %	- %

#### MMERS Retirement System

**Plan Description** - The Village participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers the administrative staff. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the MMERS for these employees was established by negotiation with the Village's competitive bargaining units and does not require a contribution from the employees.

# Village of Beverly Hills, Michigan

## Notes to Financial Statements June 30, 2007

### Note 11 - Pension Plans (Continued)

**Annual Pension Cost** - For the year ended June 30, 2007, the Village's annual pension cost of approximately \$94,000 for the MMERS was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.9 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

### Three-year Trend Information

	Fiscal Year Ended June 30		
	2005	2006	2007
Annual pension costs (APC)	\$ 78,320	\$ 104,566	\$ 93,958
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2005	2006	2007
Actuarial value of assets	\$ 2,059,834	\$ 2,219,942	\$ 2,428,238
Actuarial accrued liability (AAL)			
(entry age)	\$ 2,301,975	\$ 2,385,419	\$ 2,698,285
Unfunded AAL (UAAL)	\$ 242,141	\$ 165,477	\$ 270,047
Funded ratio	89%	93%	90%
Covered payroll	\$ 773,604	\$ 763,976	\$ 736,263
UAAL as a percentage of covered payroll	31%	22%	37%

# **Village of Beverly Hills, Michigan**

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## **Notes to Financial Statements June 30, 2007**

### **Note 12 - Joint Ventures**

#### **Birmingham Area Cablecasting Board**

The Village is a member of the Birmingham Area Cablecasting Board (BACB), which provides cable program-coordinating services to the residents of Birmingham, Beverly Hills, and Franklin Village. The Village's equity interest in the joint venture is insignificant. The Village is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the BACB can be obtained from the administrative offices at P.O. Box 165, Birmingham, MI 48012.

#### **Southeastern Oakland County Water Authority**

The Village is a member of the Southeastern Oakland County Water Authority (the "Water Authority"), which provides a water supply system serving 11 member municipalities in Oakland County. The Village appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2007, the Village expensed \$642,863 of payments made to the Water Authority. The Village has no explicit and measurable equity interest in the joint venture. The Southeastern Oakland County Water Authority's operations are financially independent of the Village. The Village is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. The Southeastern Oakland County Water Authority has a debt issue with a total balance outstanding as of June 30, 2007 of \$5,650,000, of which the Village has guaranteed approximately \$263,000. Complete financial statements for the Southeastern Oakland County Water Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

## **Required Supplemental Information**

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# Village of Beverly Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
<b>Revenues</b>				
Tax collection, state revenue, etc.	\$ 6,772,881	\$ 6,825,181	\$ 6,807,280	\$ (17,901)
Fund balance appropriated	-	165,363	-	-
Total revenues	<u>\$ 6,772,881</u>	<u>\$ 6,990,544</u>	<u>\$ 6,807,280</u>	<u>\$ (17,901)</u>
<b>Expenditures</b>				
Village Council	\$ 57,658	\$ 57,658	\$ 45,270	\$ 12,388
Manager	290,293	260,293	223,825	36,468
Finance director	242,015	242,015	238,533	3,482
Buildings and grounds	43,809	43,809	35,039	8,770
General government	243,396	269,396	265,307	4,089
Public safety:				
Police and fire	3,904,913	3,951,913	3,923,937	27,976
School liaison office	118,907	118,907	103,104	15,803
Building and planning	288,817	288,817	276,031	12,786
Public services	859,293	852,293	833,659	18,634
Community action programs	61,227	83,227	75,827	7,400
Library	522,272	522,272	521,163	1,109
Capital purchases	134,820	246,483	217,961	28,522
Transfers out	3,000	51,000	48,245	2,755
Total expenditures	<u>\$ 6,770,420</u>	<u>\$ 6,988,083</u>	<u>\$ 6,807,901</u>	<u>\$ 180,182</u>
<b>Fund Balance - Beginning of year</b>	\$ 1,404,543	\$ 1,555,026	\$ 1,555,026	\$ -
Fund balance appropriated/shortage	2,461	(165,363)	(621)	164,742
<b>Fund Balance - End of year</b>	<u>\$ 1,407,004</u>	<u>\$ 1,389,663</u>	<u>\$ 1,554,405</u>	<u>\$ 164,742</u>

# Village of Beverly Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Streets Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Revenues	<u>\$ 629,472</u>	<u>\$ 629,472</u>	<u>\$ 496,919</u>	<u>\$ (132,553)</u>
Expenditures	<u>\$ 629,472</u>	<u>\$ 629,472</u>	<u>\$ 346,187</u>	<u>\$ 283,285</u>
<b>Fund Balance</b> - Beginning of year	\$ 849,127	\$ 1,215,905	\$ 1,215,905	\$ -
Fund balance appropriated/surplus	<u>(150,000)</u>	<u>(150,000)</u>	<u>150,732</u>	<u>300,732</u>
<b>Fund Balance</b> - End of year	<u>\$ 699,127</u>	<u>\$ 1,065,905</u>	<u>\$ 1,366,637</u>	<u>\$ 300,732</u>



# Village of Beverly Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Local Streets Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Revenues	\$ 683,852	\$ 683,852	\$ 662,583	\$ (21,269)
Fund balance appropriated	<u>100,000</u>	<u>224,000</u>	<u>-</u>	<u>-</u>
Total revenues	<u><b>\$ 783,852</b></u>	<u><b>\$ 907,852</b></u>	<u><b>\$ 662,583</b></u>	<u><b>\$ (21,269)</b></u>
Expenditures	<u><b>\$ 783,852</b></u>	<u><b>\$ 907,852</b></u>	<u><b>\$ 909,966</b></u>	<u><b>\$ (2,114)</b></u>
<b>Fund Balance</b> - Beginning of year	\$ 361,551	\$ 482,112	\$ 482,112	\$ -
Fund balance appropriated/surplus	<u>(100,000)</u>	<u>(224,000)</u>	<u>(247,383)</u>	<u>(23,383)</u>
<b>Fund Balance</b> - End of year	<u><b>\$ 261,551</b></u>	<u><b>\$ 258,112</b></u>	<u><b>\$ 234,729</b></u>	<u><b>\$ (23,383)</b></u>

# Village of Beverly Hills, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress Public Safety Officers' Retirement System (dollar amounts in thousands)

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/01	\$ 15,600	\$ 10,900	\$ (4,700)	143	\$ 1,500	-
12/31/02	13,900	11,700	(2,200)	119	1,600	-
12/31/03	14,000	12,000	(2,000)	116	1,600	-
12/31/04	14,100	12,900	(1,200)	110	1,700	-
12/31/05	14,300	13,500	(809)	106	1,700	-
12/31/06	14,900	14,100	(800)	106	1,700	-

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/02	12/31/01	\$ -	-
06/30/03	12/31/02	-	-
06/30/04	12/31/03	54,203	-
06/30/05	12/31/04	89,433	105.0
06/30/06	12/31/05	203,693	102.0
06/30/07	12/31/06	257,144	102.0

\* The required contribution is expressed to the Village as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	10 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases*	4% - 8%
*Includes inflation at	4.0%
Cost of living adjustments	None

## **Other Supplemental Information**

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# Village of Beverly Hills, Michigan

		Special Revenue Funds			
		Drug Forfeiture	Sick Pay Severance	Vacation Reserve Fund	Retiree Health Care
<b>Assets</b>					
Cash and investments		\$ 13,565	\$ 175,971	\$ 311,460	\$ -
Receivables - Net		74	-	-	-
Total assets		<u>\$ 13,639</u>	<u>\$ 175,971</u>	<u>\$ 311,460</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b> - Accounts payable		\$ -	\$ -	\$ -	\$ -
<b>Fund Balances</b>					
Reserved		-	-	-	-
Unreserved		<u>13,639</u>	<u>175,971</u>	<u>311,460</u>	<u>-</u>
Total fund balances		<u>13,639</u>	<u>175,971</u>	<u>311,460</u>	<u>-</u>
Total liabilities and fund balances		<u>\$ 13,639</u>	<u>\$ 175,971</u>	<u>\$ 311,460</u>	<u>\$ -</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007**

Capital Projects Funds			Total
Capital Projects Fund	Special Park Millage	Stafford Special Assessment District	Nonmajor Governmental Funds
\$ 405,209 848	\$ 113,663 619	\$ 17,545 96	\$ 1,037,413 1,637
<b><u>\$ 406,057</u></b>	<b><u>\$ 114,282</u></b>	<b><u>\$ 17,641</u></b>	<b><u>\$ 1,039,050</u></b>
\$ 130	\$ -	\$ -	\$ 130
405,927	114,282	17,641	537,850
-	-	-	501,070
<u>405,927</u>	<u>114,282</u>	<u>17,641</u>	<u>1,038,920</u>
<b><u>\$ 406,057</u></b>	<b><u>\$ 114,282</u></b>	<b><u>\$ 17,641</u></b>	<b><u>\$ 1,039,050</u></b>

# Village of Beverly Hills, Michigan

	Special Revenue Funds			
	Drug Forfeiture	Sick Pay Severance	Vacation Reserve Fund	Retiree Health Care
<b>Revenue</b>				
Special assessment revenue	\$ -	\$ -	\$ -	\$ -
Charges to other funds	-	3,257	40,612	-
Fines and forfeitures	8,214	-	-	-
Interest income	529	8,461	13,174	-
Other	-	-	-	-
Total revenue	8,743	11,718	53,786	-
<b>Expenditures</b>				
Administrative	-	-	11,171	-
Health care	-	-	-	1,188,597
Police supplies	5,303	-	-	-
Sick leave	-	15,582	-	-
Capital outlay	-	-	-	-
Total expenditures	5,303	15,582	11,171	1,188,597
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	3,440	(3,864)	42,615	(1,188,597)
<b>Other Financing Sources - Transfers in</b>	-	-	-	-
<b>Net Change in Fund Balances</b>	3,440	(3,864)	42,615	(1,188,597)
<b>Fund Balances - Beginning of year</b>	10,199	179,835	268,845	1,188,597
<b>Fund Balances - End of year</b>	<u>\$ 13,639</u>	<u>\$ 175,971</u>	<u>\$ 311,460</u>	<u>\$ -</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2007**

Capital Projects Funds			Total
Capital Projects Fund	Special Park Millage	Stafford Special Assessment District	Nonmajor Governmental Funds
\$ -	\$ -	\$ 11,065	\$ 11,065
-	-	-	43,869
-	-	-	8,214
25,755	5,608	1,404	54,931
16,912	1,150	-	18,062
42,667	6,758	12,469	136,141
-	-	-	11,171
-	-	-	1,188,597
-	-	-	5,303
-	-	-	15,582
75,514	1,948	-	77,462
75,514	1,948	-	1,298,115
(32,847)	4,810	12,469	(1,161,974)
57,245	-	-	57,245
24,398	4,810	12,469	(1,104,729)
381,529	109,472	5,172	2,143,649
<b>\$ 405,927</b>	<b>\$ 114,282</b>	<b>\$ 17,641</b>	<b>\$ 1,038,920</b>

October 5, 2007

To the Members of the Village Council  
Village of Beverly Hills  
18500 W. Thirteen Mile Road  
Beverly Hills, MI 48025

Dear Council Members:

We recently completed the audit of the financial statements of the Village of Beverly Hills, Michigan (the "Village") for the year ended June 30, 2007. In addition to the audit report, we offer the following comments for your consideration:

### **State-shared Revenue**

The future of the State's revenue-sharing program is closely tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. Despite the budget continuation plan in place at the date of this letter, there is still a significant shortfall at the state level. The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- **Changing Michigan Business Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007, which will result in the loss of \$1.9 billion from the State's budget in 2008. The current fiscal year 2007/2008 budget recommends replacing a majority of the repealed single business tax revenue with a new Michigan business tax.



While the debate has begun, there still remain considerably more questions than answers regarding long-term funding of statutory revenue sharing. The Village continues to receive approximately \$188,000 less in total revenue than it did in 2002. Approximately \$122,000 of the remaining amount is statutory revenue sharing that is at risk.

### **Property Assessment Cap**

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is as follows:

2007	3.7%
2006	3.3%
2005	2.3%
2004	2.3%
2003	1.5%

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the Village. In general terms, if growth on the Village's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the Village to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the Village's existing property tax base was less than inflation, the Headlee Amendment allowed the Village to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back." However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the Village is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation. As a result, despite general operating charter mills of 11.0, currently the Headlee limited mills are 9.38 (a reduction of almost 15 percent).

### **Property Tax Legislation**

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent, until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred as the "uncapped" value or the "pop-up" value. As several published studies and reports have demonstrated, the treatment of "uncapped" values or the "pop-up" amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- **House Bill 4440** - This bill establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the time frame of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- **House Bill 4441** - This bill increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- **House Bill 4442** - This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

### **Retiree Health Care Benefits and GASB No. 45**

As discussed in last year’s letter, the Governmental Accounting Standards Board has released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits. In the current year, the Village paid approximately \$393,000 for these benefits.

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any underfunding must be reported as a liability on the government-wide statement of net assets. Since the Village has less than 100 participants, this valuation will not need to be performed by an actuary. This statement is effective for the Village’s fiscal year ending June 30, 2009.

The Village began funding the liability several years ago. As of year end, funds set aside in its retiree healthcare trust fund amounted to just over \$1.4 million.

### **Fund Deficits**

As of June 30, 2007, the Coryell/Hummell SAD Fund had an accumulated deficit of \$7,822, and the Capital Projects Infrastructure Fund had an accumulated deficit of \$232,465. The State will require that a deficit elimination plan be filed for both of these funds. We would encourage the Village to formulate a long-range financial projection for the Coryell/Hummell SAD Fund in an effort to adequately plan for the reduction of this deficit. Management believes the deficit in the Capital Projects Infrastructure Fund will be eliminated in fiscal year ending June 30, 2008, at which time the appropriate tax revenues will have been received.

### **Internal Control Suggestions**

**Cash Receipts** - Currently, the Village collects a number of cash receipts at the Village Office. When the cash is collected, a member of the Village staff issues a hand-written receipt to the resident and places the cash in a box beneath the counter. We recommend that the Village obtain a cash register for the Village Office in order to limit inappropriate access to cash and to reduce the manual processes that are required with the Village's current system.

**Water and Sewer Receivables** - During the year, the Village did not maintain a detail listing of receivables related to water and sewer billings. However, the finance director currently reviews each billing and posts the appropriate entry in the general ledger. While the year-end accounts receivable could be determined by manually summing the individual billing registers and comparing them to previous billings, we recommend that the Village produce a detailed accounts receivable aging and reconcile the total receivable to the general ledger on a quarterly basis.

**Cash Disbursements** - During our review of cash disbursements, we noted that the same individual who has access to blank checks also has access to the Village's signature stamp. Although disbursements are monitored closely by council and management, we recommend that the Village segregate these two functions in order to further strengthen controls over the cash disbursements process.

### **Significant Deficiencies and Material Weaknesses under Statement on Auditing Standards No. 112**

New auditing rules, effective December 31, 2006, have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standard (Statement on Auditing Standards No. 112, referred to as SAS 112) requires us to inform you about any matters noted in your accounting procedures or internal controls that the new standard defines as a “significant deficiency.” The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have sometimes provided comments of this nature as part of a draft meeting with management. Only material internal control issues have been included in our letter. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the village council members in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control. The following two items are material weaknesses.

During the first months of the fiscal year, the finance director was responsible for preparing bank reconciliations, performing general ledger duties, and managing the nightly bank deposit. In addition, he had the ability to collect cash at the counter in the event that all other Village staff were unable to do so. It should be noted that, during the year ended 2007, the Village hired an individual to perform the bank reconciliations which has served to strengthen the controls over the bank reconciliation process. Furthermore, we recommend that the Village designate an individual independent from the cash system procedures to review investment statements on a regular basis for reasonableness.

We would like to thank the Village staff again this year for the cooperation and assistance they provided during the audit. If you have any questions or would like to discuss these items further, please feel free to contact us at your convenience.

Yours truly,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "Blake Roe". The signature is written in a cursive, flowing style.

Blake M. Roe